

market" is restricted to the joint stock banks, the private banks (which are gradually diminishing in number), the discount houses and the bill-brokers, since (owing to the preponderant development of joint stock banking) the Bank of England¹ does not now possess the commanding power and influence which it formerly exerted over the rate of discount as an extensive holder of mercantile bills;² while the operations of mercantile firms in the advance of loans are more or less of an intermittent character, and the Stock Exchange is rather a customer for money from lenders than a dealer itself in money.

Thus the monetary requirements of the commercial and investment markets (for the purchase and sale of commodities, and capital for the purchase of securities) are provided by the money market; and the activity of the money market—the volume and frequency of its advances—varies with the expansion or restriction of the business in the markets named. The medium employed in the money market in the grant of its loans is the cheque or order for money upon a bank; if a loan be obtained upon the pledge of security the borrower's account is increased by the amount, and upon this he draws cheques in settlement of his varied indebtedness ; if a bill of exchange be discounted the same process is pursued, for, like a cheque, the bill of exchange is simply an order for money upon some person or firm—the obvious difference, that in the one case the order is to be executed at once, and in the latter case at the end of a definite period, being cancelled by the arrangement for discounting the bill or reducing it into ready money.

The *supply* of funds available for loans and discounts will depend upon the extent of the savings of the country deposited with banks and other financial houses, and on current account, which can be utilised in loans. The nation in ordinary times earns more than it spends, and this surplus, unless diverted

¹ The unique position which the Bank of England occupies, and its dominant sway over the financial world when occasion arises, will be hereafter described.

² Mercantile bills: bills drawn by merchants on each

other expressing the price of goods sold and bought, and evidences of the debts thereby created : derived from the Latin *mercari*, to trade.